

Message Text

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ACTION EUR-08

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R 241212Z JAN 75

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 2582

INFO AMEMBASSY BUCHAREST

USMISSION GENEVA

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

C O N F I D E N T I A L BUDAPEST 0231

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, ETRD, HU

SUBJ: HIGH FONOFF OFFICIAL ON DETENTE AND MFN

1. DURING LUNCHEON CONVERSATION JAN 22 WITH DCM, VARKONYI EXPRESSED GOH INTEREST IN CONTINUATION OF DETENTE POLICY ALTHOUGH HE ACKNOWLEDGED THAT SOVIET REJECTION OF 1972 TRADE AGREEMENT POSED SOME DIFFICULT PROBLEMS FOR GOH. SAID GOH WISHED TO EXPAND TRADE WITH U.S., BUT WITHOUT ANY PRECONDITIONS. URGED DCM TO MAKE CLEAR TO WASHINGTON THAT U.S. SHOULD NOT COME FORWARD NOW WITH PROPOSAL TO START NEGOTIATIONS ON ECONOMIC AGREEMENT. IF U.S. WERE TO DO SO, HE SAID, RESPONSE WOULD BE DECISIVE NO, ACTION GOH WISHED TO AVOID. SAID HUNGARY WISHED TO "SWEAT THIS OUT", RELYING ON STATEMENTS BY PRESIDENT AND SECRETARY THAT THEY INTEND TO GO BACK TO CONGRESS TO SEE HOW OBJECTIVES OF TRADE BILL CAN BE APPLIED TO USSR UNDER MORE PALATABLE CONDITIONS. THIS WILL TAKE TIME, VARKONYI
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SAID, AND, ATHOUGH HUNGARY HAS WAITED PATIENTLY FOR

PRACTICALLY TWO YEARS FOR MFN TO BE FORTHCOMING, IT IS STILL PREPARED TO WAIT SOME MORE. NATURALLY, GOH HOPES NEW U.S. TRADE BILL WILL BE APPROVED SOONER THAN LATER.

2. TRADE BILL PASSAGE IN ITS PRESENT UNACCEPTABLE FORM, VARKONYI CONTINUED, POSES SOME DIFFICULT QUESTIONS FOR HUNGARY. FOR EXAMPLE, ON DEPUTY FONMIN NAGY'S DESK NOW IS QUERY FROM NATIONAL BANK RE WHETHER GOH SHOULD MAKE SECOND PAYMENT UNDER TERMS OF CLAIMS AGREEMENT WHICH COMES UP IN MARCH. HE SAID NEITHER NAGY NOR HE, FOR THE MOMENT AT LEAST, KNEW WHAT TO RECOMMEND. HE GAVE IMPRESSION, HOWEVER, THAT UNLESS THERE WERE FURTHER SETBACKS, DECISION MIGHT BE EASIER TO COME BY FEW WEEKS FROM NOW. FONOFF, HE CONCLUDED, WILL HAVE TO DO LOT OF SPADEWORK NEXT FEW WEEKS IN HIGH PARTY CIRCLES WHERE CONSIDERABLE SKEPTICISM HAS DEVELOPED RE ACTUAL U.S. INTENTIONS VIS-A-VISA HUNGARY. MANY (MAINLY BECAUSE OF LOSS OF MOMENTUM IN U.S.-HUNGARIAN RELATIONS) FIND IT DIFFICULT TO TAKE AT FACE VALUE VARIOUS STATEMENTS BY U.S. OFFICIALS THAT WASHINGTON WISHES TO CONTINUE TREND TOWARDS NORMALIZATION AND IMPROVEMENT OF ITS RELATIONS WITH HUNGARY.

3. AT CLOSE OF CONVERSATION VARKONYI REITERATED GOH INTEREST IN MFN BUT WITHOUT POLITICAL CONDITIONS. SAID HE HOPED EMBASSY HAD NOTED THAT ASIDE FROM STATEMENT OF ADHERENCE TO ABOVE PRINCIPLE, ONLY PRESS TREATMENT OF TRADE BILL ISSUE HAD BEEN PUBLICATION OF TASS DISPATCHES FROM MOSCOW. THERE HAD BEEN NO HUNGARIAN EDITORIAL COMMENT. AND FONOFF HAD NOT PROVIDED ANY GUIDANCE OR INSTRUCTIONS TO ITS DIPLOMATIC POSTS ABROAD, COMMENT WHICH SEEMS TO INDICATE CLEARLY THAT FABIANS (GENEVA 238 NOTAL) IN THIS INSTANCE, PARTICULARLY RE PARA 1(3), NOT WELL TUNED INTO BUDAPEST THINKING. BUDAPEST IS NOT, RPT NOT, INTERESTED IN U.S. INITIATIVE TO COMMENCE BILATERAL NEGOTIATIONS UNDER TERMS OF TITLE IV AT THIS TIME. AND WE CALCULATE GOH WILL NOT BE PREPARED TO DO SO UNTIL OBJECTIONABLE ASPECTS OF PRESENT TRADE LEGISLATION ARE RENDERED MORE ACCEPTABLE THROUGH JOINT ACTION BY EXECUTIVE AND LEGISLATIVE BRANCHES OF USG.

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PEDERSEN

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